

Informal Remote Employment as Part of the Shadow Economy for the Government

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Abstract. *In the context of modern economic realities , informal remote employment is becoming an important component of the shadow economy. This work is carried out without official registration and is often not subject to taxation, which creates difficulties for government agencies in the field of control and taxation. Informal employment harms not only the economy, but also the social sphere, reducing the level of social protection for workers. This situation requires a detailed analysis and development of recommendations on the legalization of remote work in order to ensure a fair competitive environment for all participants in the labor market and increase the level of social responsibility. The Government needs to develop measures to integrate such workers into the formal economy, including creating suitable conditions for their employment, improving access to social guarantees and tax benefits. The legalization of this segment of the labor market will test its sustainability and increase tax revenues to the budget, which in turn will improve social programs and strengthen the country's economic security.*

Keywords: *Informal employment, legalization of remote work, taxation, online work, freelancing.*

Introduction

Informal remote employment is a type of employment relationship in which an employee performs his duties remotely, based on an oral agreement with the employer, without officially concluding an employment contract. This work format includes freelancing, camerawork, participation in temporary projects, as well as work on digital platforms that do not provide legal protection and social guarantees for employees. According to the definition of the International Labour Organization (ILO), informal employment covers employment relations that are not regulated by labor, tax and social legislation, as they do not comply with the established norms of formal employment. This means that workers employed in the informal sector are not eligible for social benefits, including temporary disability payments, paid vacations, and unemployment benefits. As a result, their labor rights may be infringed, and the very nature of the employment relationship often leads to the exploitation of workers.[1]

The defining characteristics of formal and informal employment depend on the employment status:

- The employment of employees is considered formal if their employers contribute to the social security system on their behalf or, in the absence of information on social security contributions, if they receive paid annual leave and paid sick leave. In all other cases, employment is considered informal.
- For employers, the self-employed, and members of cooperatives, the formality of hiring depends on the status of the economic unit (enterprise). If The company is part of the formal

sector, and employment for employers and the self-employed is considered formal. Otherwise, their employment is considered informal.

- The employment of family business members is always considered informal.
- According to the definition of the International Monetary Fund (IMF), the shadow economy includes all types of economic activity that are not subject to government control for various reasons.:
- Monetary reasons are related to tax evasion and social security contributions.
- Regulatory reasons suggest a desire to avoid government bureaucracy and compliance with regulations.

Institutional causes relate to factors related to corruption, the quality of political institutions, and insufficient enforcement of laws.[2]

With the development of the Internet, the number of freelancers providing services and fulfilling orders for individuals and legal entities has increased significantly, both on a one-time and permanent basis. In most cases, such cooperation is carried out without the formal conclusion of employment contracts, which leads to tax evasion and social contributions. The pandemic WITH VID-19 has contributed to an increase in the number of remote employees, a significant part of who work without official registration or self-employed status. This type of employment allows employers to significantly reduce the cost of taxes, insurance and social benefits. In addition, more and more specialists are offering their services through local and international digital intermediary platforms.

A prime example of a platform that promotes informal remote employment is Uber. The service's system is designed in such a way that drivers receive orders through a mobile application without entering into employment contracts with the company.[3] They are not full-time employees of Uber, and their activities are registered as independent contractors or self-employed. This frees the employer from the social obligations and guarantees provided by traditional labor relations. Another example is the Upwork freelance platform, where performers from all over the world find orders in areas such as programming, design, text translation, and other services. In most cases, specialists work as independent contractors, and the platform itself performs only the function of an intermediary, leaving tax obligations at the discretion of users. Freelancer marketplaces such as Fiverr and Taskrabbit function similarly, where clients can quickly find specialists to perform household and professional tasks: cleaning rooms, developing websites, organizing relocations, delivering goods and documents, as well as legal, accounting and design services. In addition, the development of technologies, including 3D printing, opens up new opportunities for the self-employed.[4] Now the production of goods can be carried out at home without registering a business and registering with the tax authorities. The sale of products takes place through marketplaces, social networks and bulletin boards, which avoids the use of official sales channels and, consequently, taxation. The emergence of modern technologies and digital innovations is changing the employment structure of the population and, in the absence of high-quality organized regulation of these sectors by the state, contributes to the development of the shadow labor market in the country.[5]

Informal remote employment can also occur for several reasons:

1. Lack of jobs: The existing labor market may not provide enough official vacancies.
2. Flexibility: Employees may prefer to be able to set their own schedule and workload.
3. Coursework and freelance work: Many people want to avoid formal employment relationships in order to be more independent or work on several projects at the same time.
4. High taxes and obligations: Employers may avoid formalizing employees in order to reduce the cost of taxes and social contributions.
5. Problems with legislative regulation: Insufficient protection of workers' rights and lack of effective control by government agencies contributes to informal employment.

Informal employment has a negative impact on the social well-being and economy of the country. Social and pension funds are not receiving enough funds that the state needs to support vulnerable categories of citizens, such as pensioners and people with disabilities.[6] Businesses often require cash to pay "gray" salaries, which encourages the emergence of illegal tax optimization schemes and leads to VAT and income tax losses. One of the key problems of remote employment is that people who work informally receive income that is not taken into account by the state in the official economy.[7] As a result, the shadow sector is increasing, which contributes to higher inflation and makes it more difficult to control financial flows in the country.

Tax authorities around the world are joining forces to combat shadow employment, but it is important to eliminate not the consequences, but the causes of its existence. In the current conditions, many workers prefer stable income and employment, rather than informal labor relations and social guarantees, so it is difficult to involve them as witnesses or victims. As a result, identifying cases of informal employment and punishing employers remains a time-consuming and small-scale process.

The main ways to prevent illegal remote work:

1. Improvement of legislation. Updating labor legislation to legalize remote work and simplify the registration process for employers and employees.
2. Creation of flexible forms of employment. Development of new forms of labor relations that take into account the specifics of remote work, including contracts that are easy to formalize and allow employees to receive all
 1. social guarantees.
 2. Educational programs. Conducting information campaigns and seminars for employees and employers on the importance of establishing employment relations and the consequences of illegal employment.
 3. Tax benefits. Providing tax incentives for companies that legalize their employees and encouraging them to sign contracts with remote employees.
 4. Stricter controls. Establish mechanisms for monitoring compliance with labor laws, including regular inspections and cooperation with tax and labor authorities.
 5. Creation of platforms for legal work. Development of online platforms,
 6. which provide the opportunity to search for legal remote vacancies and simplify the process of signing employment contracts.
 7. Social protection. Providing access to social guarantees for remote workers so they can see the benefits registration of employment relations.

These measures will reduce the level of illegal remote work, ensuring the protection of workers and the stability of the economy.

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